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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

STEVEN L. MCNAMARA,

Plaintiff ,

vs.

UNIVERSAL COMMERCIAL SERVICES,
INC., an Arizona Corporation,
and SABINE SHARP, an individual,

Defendants.

Civ. No. ~~07-60789-TC~~ **07-6079-TC**FINDINGS OF FACT AND
CONCLUSIONS OF LAW

Coffin, Magistrate Judge:

Plaintiff brought this copyright infringement action against defendants after copyrighted material that he authored was posted on GlendaleDesigns.com, a website controlled by defendant Universal Commercial Services, Inc. Defendants assert their infringement was innocent or, in the alternative, that it was fair use, and that plaintiff is estopped from asserting copyright infringement because he failed to use technology to protect the content. This court has jurisdiction pursuant to 28 U.S.C. § 1338(a) ("The district court shall have original jurisdiction of any civil action arising under any Act of Congress relating to .

1 Findings of Fact and Conclusions of Law

1 . . copyrights[.]") and 28 U.S.C. § 1331 (federal question).

2 On March 20, 2008, summary judgment was granted in
3 plaintiff's favor against defendants' affirmative defense of
4 misuse but denied on the issue of defendants' infringement
5 liability (#25). The matter was tried to the court on August 26,
6 2008.

7 The parties stipulated to the following facts as set out in
8 the pretrial order and as agreed to at the pretrial conference:
9

10 1. Plaintiff Steven McNamara, a resident of Oregon, is an
11 author and a sole proprietor of an internet business known as
12 AdCracker.com, a "tool to create world-class advertising and
13 marketing ideas."

14 2. Plaintiff has a valid copyright (registration # TX 6-425-
15 811) in the written material at issue, an original work entitled
16 "How to write a creative brief" (the "subject article"). From
17 1999-2005, AdCracker.com published the article. The article was
18 also available as part of a package for sale on plaintiff's
19 website.

20 3. Defendant Universal Commercial Services, Inc., d.b.a.
21 Glendale Designs, is a corporation organized under the laws of
22 Arizona with its principal place of business in Glendale,
23 Arizona.

24 4. Defendant Sabine Sharp is an individual and a corporate
25 officer of Universal Commercial Services and a resident of
26 Glendale, Arizona.

27 5. Universal Commercial Services operates a website at
28 <http://www.glendaledesigns.com>. The business provides website

1 design and search engine optimization services.

2 6. Defendant Sharp posted the subject article on
3 glendale designs.com sometime in the fall of 2006.

4 7. In December 2006, plaintiff's attorney sent a letter to
5 defendant Sharp in which plaintiff demanded removal of the
6 subject article from the glendale designs.com website.
7 Plaintiff's letter demanded a payment of \$300,000 by January 15,
8 2007. The letter threatened that if defendants did not "meet the
9 terms set forth above, we will seek recovery of additional fees
10 and damages." The letter stated that defendants "should also be
11 aware that copyright infringement may constitute one or more
12 Criminal Offenses," and that "we believe this case meets the
13 standard for criminal culpability," and "will pursue criminal
14 charges against all appropriate persons in your company if this
15 case is not settled."

16 8. After receiving the letter, defendant Sharp immediately
17 removed the subject article from her website.

18 9. Plaintiff and defendant operate different types of
19 businesses and are not in direct competition.
20

21 Conclusions of Law

22 Based on the foregoing facts, I have come to the following
23 conclusions:

24 1. Plaintiff has made out a prima facie case of copyright
25 infringement. First, plaintiff owns the rights to the subject
26 article; second, defendants violated at least one of his
27 exclusive rights to the material. See A & M Records, Inc. v.
28 Napster, 239 F.3d 1004, 1013 (9th Cir. 2001) ("Plaintiffs must

1 satisfy two requirements to present a prima facie case of direct
2 infringement: (1) they must show ownership of the allegedly
3 infringed material and (2) they must demonstrate that the alleged
4 infringers violate at least one exclusive right granted to
5 copyright holders under 17 U.S.C. § 106.") Defendants published
6 the subject article on their website without permission from or
7 attribution to plaintiff. In addition, defendants reproduced
8 approximately 75% of the subject article verbatim, violating
9 plaintiff's rights to reproduce the copyrighted work, 17 U.S.C.
10 § 106 (1), to prepare derivative works, 17 U.S.C. § 106 (2), and
11 to display the copyrighted work publicly, 17 U.S.C. § 106 (5).

12 2. Defendants' use of the subject article was not fair use.
13 Under the fair use defense, copyright law recognizes limitations
14 on copyrights for the use of works for certain purposes,
15 including "criticism, comment, news reporting, teaching . . .
16 scholarship, [and] research." 17 U.S.C. § 107. The burden of
17 proving fair use lies with the defendant. Campbell v. Acuff-Rose
18 Music, Inc., 510 U.S. 569, 590 (1994).

19 Courts consider four factors to determine whether a use
20 constitutes fair use: (1) The purpose and character of the use,
21 including whether the use is commercial or for nonprofit use; (2)
22 the nature of the copyrighted work; (3) the amount and
23 substantiality of the portion taken; and (4) the effect of the
24 use upon the potential market. 17 U.S.C. § 107.

25 The first factor looks at whether defendants' work "merely
26 supersedes the objects of the original creation," or "adds
27 something new, with a further purpose or different character,
28 altering the first with new expression, meaning, or message; it

1 asks, in other words, whether and to what extent the new work is
2 'transformative.'" Campbell, 510 U.S. at 579 (internal citation
3 omitted). The purpose of defendants' use, to attract customers
4 to their website, was commercial. Defendants further used search
5 engine optimization techniques to make the article search-
6 friendly. The subject article was used to generate business.
7 The use of the subject article was not transformative, but an
8 exact copy with minor edits.

9 Further, the nature of the work was factual and instructive;
10 while it also constituted a creative work, the second factor does
11 not weigh in favor of fair use. Moreover, the amount of the
12 subject article taken for use on defendants' website was
13 substantial. Plaintiff's Exhibit 5 highlights the portions of
14 his AdCracker article that were copied verbatim by defendants in
15 the GlendaleDesigns ad--approximately 75% of the text of
16 defendants' article is identical in wording to the copyrighted
17 material.

18 Finally, the effect of the use on the potential market is
19 the most important element of the fair use doctrine. Harper &
20 Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539, 566
21 (1985). When the use is a commercial one, a likelihood of
22 future harm to the potential market is presumed, unless the work
23 is transformative of the original. Campbell, 510 U.S. at 590.
24 Plaintiff was not in direct market competition with defendants,
25 therefore the effect on the potential market is de minimis.
26 However, defendant did not pay for the use of plaintiff's
27 copyrighted material, and both parties were using the subject
28 article in an advertising capacity to draw business to their

1 websites. There was a potential for customer confusion.

2 In sum, the factors discussed above weigh against
3 defendants' claim of fair use, and this court concludes that it
4 was not fair use.

5 3. Plaintiff is not estopped from asserting the copyright.
6 A plaintiff is estopped "if he has aided the Defendant in
7 infringing or otherwise induced to infringe." Quinn v. Detroit,
8 23 F. Supp. 2d 741, 753 (E.D. Mich. 1998). Defendant failed to
9 prove that plaintiff knew of the infringing conduct, that
10 plaintiff intended that she rely upon his conduct or acted so
11 that she had a right to believe that it was intended, that she
12 was ignorant of the true facts, and that she relied upon
13 plaintiff's conduct to her detriment. See Carson v. Dynegy,
14 Inc., 344 F.3d 446, 453 (5th Cir. 2003). In fact, when plaintiff
15 learned of the infringement, he took immediate action to request
16 that defendants remove the material from their website. Further,
17 defendant has failed to prove that plaintiff had means available
18 to protect the material further. Finally, defendant admitted
19 that she knew that she was not the author of the subject article.
20 Plaintiff is therefore not estopped from asserting his copyright.

21 4. Defendants' infringement was not innocent. An
22 infringement is considered innocent when a defendant proves by a
23 preponderance of the evidence that she was unaware that her
24 actions constituted infringement, and she had no reason to
25 believe that her acts constituted infringement. 17 U.S.C. §
26 504(c)(2). Even if defendant Sharp's testimony can be taken as
27 true (that she received the subject article in an e-mail from an
28 uncertain source and that the source did not contain a copyright

1 notice), a simple word search on the internet would have revealed
2 that the original source of the article was Adcracker.com. Both
3 plaintiff's website and another website on which the article
4 appeared (MarketingProfs.com) contained a clear attribution to
5 plaintiff and a copyright notice. Defendant has significant
6 experience in search engine optimization techniques, and an
7 obvious word search for "creative brief" on the internet would
8 have easily led her to plaintiff's website where she would have
9 discovered the copyrighted subject article.

10 Moreover, defendant provided no documentary
11 evidence of an e-mail from Namibia, which she believes contained
12 the subject article without attribution. Defendant's testimony
13 about a computer disc crash and the source of the article was
14 unpersuasive. Defendant's infringement was not innocent.

15 5. I decline to exercise my discretion to increase damages
16 for willful infringement. An infringement is willful where a
17 defendant was actually aware that her actions constituted
18 infringement or acted with reckless disregard for, or willful
19 blindness to, the rights of the copyright owner, or should have
20 known that her actions constituted infringement. Island Software
21 & Computer Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 263 (2d
22 Cir. 2005); 17 U.S.C. § 504(c)(2) (if the court finds that
23 infringement was committed willfully, the court in its discretion
24 may increase the award of statutory damages). Because, for the
25 reasons discussed below, I decline to exercise my discretion to
26 increase statutory damages due to willfulness, I do not address
27 it further.

28 6. Plaintiff requests statutory damages. The Copyright Act
7 Findings of Fact and Conclusions of Law

1 provides for statutory damages as follows:

2 (1) Except as provided by clause (2) of this
3 subsection, the copyright owner may elect, at any time
4 before final judgment is rendered, to recover, instead
5 of actual damages and profits, an award of statutory
6 damages for all infringements involved in the action,
with respect to any one work, for which any one
infringer is liable individually, . . . in a sum of not
less than \$750 or more than \$30,000 as the court
considers just

7 (2) In a case where the copyright owner sustains the
8 burden of proving, and the court finds, that
infringement was committed willfully, the court in its
9 discretion may increase the award of statutory damages
to a sum of not more than \$150,000

10 17 U.S.C. § 504(c)(1)-(2). For the "innocent infringer," the
11 court has discretion to lower the statutory damages to not lower
12 than \$200 if the infringer sustains the burden of proving that she
13 was not aware and had no reason to believe that her acts
14 constituted an infringement of copyright. 17 U.S.C. § 504(c)(2).
15 Courts have wide discretion in determining the amount of statutory
16 damages within the allowable range. See Columbia Pictures
17 Television, Inc. v. Krypton Broad. of Birmingham, Inc., 259 F.3d
18 1186, 1194 (9th Cir. 2001).

19 The court notes that, even if defendants' conduct can be
20 considered willful, I decline to exercise my discretion to
21 increase the award above the \$750 to \$30,000 range for the
22 following reasons:

23 First, the subject article was not itself a product that
24 plaintiff sold separately to his clients or customers. It can
25 best be described as an introductory sampler of more complete and
26 detailed pointers for writing a creative basic brief in the field
27
28

1 of advertising that plaintiff offered for sale on a CD-ROM.¹
2 Defendants did not sell a competing product. Rather, Sharp and
3 Universal are in the website design business. What defendant did,
4 in essence, amounted to plagiarizing the bulk of plaintiff's ad
5 promoting his product and tailoring it to fit her non-competing
6 product. The analogy presents itself of a seller of hunting
7 rifles who authors an article on his website describing in
8 eloquent prose the essence of a "great hunt," with the ending
9 being a pitch for a particular rifle touted for its accuracy and
10 reliability. The article is duly copyrighted. Along comes a
11 purveyor of binoculars, who posts the article virtually word for
12 word on her website, but modifies the ending to promote not a
13 competing rifle but a set of binoculars. There is infringement
14 because the original author did not authorize the use, but there
15 is similarly little potential for actual damages because the ad
16 itself is not for sale and the products are not in competition.

17 Second, plaintiff's demand letter was highly inappropriate
18 in threatening to refer a matter for criminal prosecution unless
19 a demand for money was satisfied; such a tactic is itself arguably
20 a violation of the law.² Thus, applying a deterrence factor in
21 setting statutory damages cuts both ways under the circumstances
22

23 ¹ The AdCracker CD-ROM featured four types of briefs for ad
24 agencies: Basic Brief, Quick Brief, Creative Director's Brief, and
25 Advanced Brief. The subject article was described as a chapter of the
Basic Brief presentation, and this "chapter" was not sold as a
separate item.

26 ² 18 U.S.C. § 873 states: "Whoever, under a threat of informing,
27 or as consideration for not informing, against any violation of any
28 law of the United States, demands or receives any money or other
valuable thing, shall be fined under this title or imprisoned not more
than a year, or both."

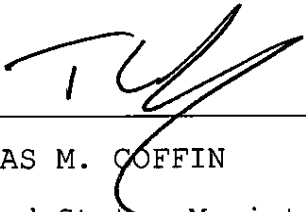
1 of this case. Suffice it to say that the court is not persuaded
2 that defendants' infringing conduct, especially when
3 counterbalanced by plaintiff's egregious demand, justifies
4 statutory damages in the higher range of 17 U.S.C. § 504(c)(2).
5

6 Conclusion

7 This is somewhat of an unusual case. Plaintiff copyrighted
8 an ad that was tailored to his product: a CD-ROM that contained
9 tips on how to write creative briefs in the advertising industry.
10 Defendants lazily lifted the ad (even accepting Sharp's testimony
11 at face value, the search tools to find plaintiff's website and
12 thus his copyright notice were literally at her fingertips), and
13 tailored it to fit their non-competing product. In doing so,
14 however, defendants did not cause plaintiff any actual damages,
15 nor did they present a reasonable potential for actual damages.
16 Plaintiff, in turn, responded to defendants' copyright violation
17 by inappropriately threatening criminal prosecution unless they
18 paid him the exorbitant sum of \$300,000.

19 In light of all the circumstances, I award statutory damages
20 in the amount of \$1,000.
21

22 Dated this 16th day of September, 2008.
23

24
25 
26 _____
27 THOMAS M. COFFIN

28 United States Magistrate Judge